

19.1308 Limitations on subcontracting and nonmanufacturer rule.

(a) *Definitions.* See [13 CFR 125.1](#) for definitions of terms used in paragraph (b) of this section.

(b) *Limitations on subcontracting.* To be awarded a contract or order under the HUBZone program, the HUBZone small business concern is required—

(1) For services (except construction), to spend at least 50 percent of the cost of performance incurred for personnel on its own employees or on the employees of other HUBZone small business concerns;

(2) For supplies or products (other than a procurement from a nonmanufacturer of such supplies or products), to spend at least 50 percent of the cost of manufacturing, excluding the cost of materials, performed by the concern or other HUBZone small business concerns;

(3) For general construction—

(i) To spend at least 15 percent of the cost of performance incurred for personnel on its own employees; and

(ii) To spend at least 50 percent of the cost of performance incurred for personnel on its own employees or on a combination of its own employees and employees of HUBZone small business concern subcontractors; or

(4) For construction by special trade contractors—

(i) To spend at least 25 percent of the cost of contract performance incurred for personnel on its own employees; and

(ii) To spend at least 50 percent of the cost of the contract incurred for personnel on its own employees or on a combination of its own employees and employees of HUBZone small business concern subcontractors.

(c) *Construction.* Before issuing a solicitation for general construction or construction by special trade contractors, the contracting officer shall determine if at least two HUBZone small business concerns can spend at least 50 percent of the cost of contract performance to be incurred for personnel on their own employees or subcontract employees of other HUBZone small business concerns. If the contracting officer is unable to make this determination, the contracting officer may waive the 50 percent requirement; however, the HUBZone small business concern is still required to meet the cost incurred for personnel requirements in paragraphs (b)(3)(i) and (b)(4)(i).

(d) *Compliance period.* A HUBZone small business contractor is required to comply with the limitations on subcontracting—

(1) For a contract that has been set aside or awarded on a sole source basis to a HUBZone small business concern, either by the end of the base term and then by the end of each subsequent option period or by the end of the performance period for each order issued under the contract, at the contracting officer's discretion; and

(2) For an order set aside for HUBZone small business concerns as described in [8.405-5](#) and [16.505\(b\)\(2\)\(i\)\(F\)](#) or for an order issued directly to a HUBZone small business contractor in accordance with [19.504\(c\)\(1\)\(ii\)](#), by the end of the performance period for the order.

(e)Nonmanufacturer rule.

(1)To be awarded a contract or order for supplies as a nonmanufacturer under this subpart, a contractor is required—

(i)To provide the end item of a HUBZone small business manufacturer, that has been manufactured or produced in the United States or its outlying areas;

(ii)Not to exceed 500 employees;

(iii)To be primarily engaged in the retail or wholesale trade and normally sell the type of item being supplied; and

(iv)To take ownership or possession of the item(s) with its personnel, equipment, or facilities in a manner consistent with industry practice.

(2)There are no class waivers or waivers to the nonmanufacturer rule for individual solicitations for contracts and orders awarded under the HUBZone Program.

(3)For contracts and orders awarded under the HUBZone Program at or below \$25,000 in total value, a HUBZone small business concern may supply the end item of any manufacturer, including a large business, as long as the product acquired is manufactured or produced in the United States.

Parent topic: [Subpart 19.13 - Historically Underutilized Business Zone \(HUBZone\) Program](#)